

**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-SIXTH
ANNUAL
REPORT
1945**

MONTREAL - CANADA

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CANADIAN CAR & FOUNDRY COMPANY, LIMITED

BOARD OF DIRECTORS

W. F. ANGUS	W. A. EDEN
HON. C. P. BEAUBIEN, K.C.	G. BLAIR GORDON
W. H. COVERDALE	WILLIAM HARTY
V. M. DRURY	J. C. NEWMAN
COLIN W. WEBSTER	

OFFICERS

V. M. DRURY, <i>President</i>	
WILLIAM HARTY - - -	<i>Executive Vice-President</i>
W. F. ANGUS - - -	<i>Vice-President</i>
LYLE MCCOY - - -	<i>Vice-President and General Manager</i>
DONALD H. FORSYTH - - -	<i>Secretary</i>
A. HODGKINSON - - -	<i>Comptroller and Treasurer</i>

SOLICITORS

WAINWRIGHT, ELDER & LAIDLEY, MONTREAL

AUDITORS

PRICE, WATERHOUSE & Co.

BANKERS

BANK OF MONTREAL

THE ROYAL BANK OF CANADA

GENERAL OFFICES

621 CRAIG STREET WEST, MONTREAL

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANY



CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS AT SEPTEMBER 30, 1945

Combined net operating profit for the fiscal year ending September 30, 1945, before taking into account the items shown below . . .			\$5,711,118.58
ADD: Income from Investments			51,112.71
	Total Revenue		<u>\$5,762,231.29</u>
DEDUCT:			
	Fees of Directors and Executive Committee . . . \$	10,015.46	
	Compensation of Officers	124,711.81	
	Legal Expenses	10,378.38	<u>145,105.65</u>
Profit for the fiscal year before charging Depreciation and providing for Income and Excess Profits Taxes			<u>\$5,617,125.64</u>
DEDUCT: Depreciation:			
	Property written off during the year \$	41,294.31	
	Normal Depreciation	555,264.82	
	Special Depreciation	1,312,874.99	<u>1,909,434.12</u>
	Balance of Profits		<u>\$3,707,691.52</u>
DEDUCT:			
	Provision for Income and Excess Profits Taxes including the refundable portion of the Excess Profits Taxes, viz., \$328,750.00		<u>2,490,200.00</u>
	Net Profit for the Fiscal Year		<u>\$1,217,491.52</u>
DEDUCT:			
	Provision for Preference Shares Sinking Fund Requirements		<u>76,443.65</u>
			<u>\$1,141,047.87</u>
SURPLUS AT SEPTEMBER 30, 1944			<u>7,087,163.48</u>
			<u>\$8,228,211.35</u>
DEDUCT:			
	Prior years' adjustment re Income and Excess Profits Taxes	\$136,866.09	
	Par value of 1,475 Preference Shares purchased, redeemed and cancelled in excess of Sinking Fund requirements, transferred to Capital Surplus \$36,875.00		
	Premium paid on above	7,635.63	<u>44,510.63</u>
			<u>181,376.72</u>
			<u>\$8,046,834.63</u>
DEDUCT:			
	Dividends declared and paid:		
	\$2.10 per share on Preference Shares	\$571,001.19	
	\$0.75 per share on Ordinary Shares	274,350.00	<u>845,351.19</u>
BALANCE OF SURPLUS AT SEPTEMBER 30, 1945			<u><u>\$7,201,483.44</u></u>

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANY

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SINKING FUND RESERVE FOR REDEMPTION OF PREFERENCE SHARES:

Balance at September 30, 1944.....	\$	5.26	
Add—Appropriated out of Net Profits for year ending September 30, 1945.....		76,443.65	\$ 76,448.91
Less—Par value of 2,533 Preference Shares pur- chased for redemption and cancellation.....	\$	63,325.00	
Premium paid re shares purchased.....		13,113.34	76,438.34
Balance at September 30, 1945 (included in Accounts Payable)	\$		<u>10.57</u>

CAPITAL SURPLUS

PREFERENCE STOCK REDEMPTION:

Balance at September 30, 1944.....	\$	150,000.00	
Add—Transferred from Sinking Fund.....	\$	63,325.00	
“ Transferred from Earned Surplus.....		36,875.00	100,200.00
BALANCE OF SURPLUS AT SEPTEMBER 30, 1945.....	\$		<u>250,200.00</u>

CAPITAL SURPLUS

PROPERTIES:

Balance at September 30, 1944.....	\$	710,619.38	
Less—Proportion of Net Loss in respect of Properties sold and Equipment scrapped during the year.....			3,971.51
BALANCE OF SURPLUS AT SEPTEMBER 30, 1945.....	\$		<u>706,647.87</u>

CANADIAN CAR & FOUN

AND WHOLLY OWNED

CONSOLIDATED

at September

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ASSETS

CURRENT ASSETS:

Cash on hand and with bankers.....	\$	750,259.45	
Investment in United States Government Bonds (Market value \$261,318.75).....		253,000.00	
Accounts Receivable (less reserve).....		5,970,025.32	
Stocks of manufactured and partly manufactured products, materials and supplies, certified by responsible officials of the Company, valued at cost or market prices, whichever were lower, (less reserve) also expenditure on government contracts less relative progress billings.		9,166,657.86	\$16,139,942.63

DEFERRED CHARGES.....			317,880.52
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INVESTMENT IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:

Investment at cost.....	\$	470,625.00	
Current account.....		5,417.85	476,042.85

INVESTMENTS IN OTHER COMPANIES, at cost:

Central Aircraft Corporation.....	\$	75,000.00	
Canadian Car Munitions Limited.....		1,000.00	76,000.00

CAPITAL ASSETS:

Land, Buildings, Machinery and Equipment at de- preciated reproductive values as appraised in 1930 by the Canadian Appraisal Company, Limited, plus the cost of subsequent additions (net)			
Land.....	\$	1,851,116.57	
Buildings, Machinery and Equip- ment.....	\$18,236,596.29		
Less: Reserve for depreciation provided since above date.....	4,354,700.13	13,881,896.16	
Expenditure re War Contracts subject to Special Depreciation. \$	5,991,279.97		
Less: Special Depreciation thereon.	5,891,704.91	99,575.06	15,832,587.79

DEFERRED ACCOUNT RECEIVABLE:

Refundable Portion of Excess Profits Taxes.....		962,744.63	
			<u>\$33,805,198.42</u>

Approved on behalf of the Board:

V. M. DRURY, Director

W. F. ANGUS, Director

DRY COMPANY, LIMITED

SUBSIDIARY COMPANY

BALANCE SHEET

er 30, 1945

NADIAN DOLLARS)

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable and Payrolls.....	\$ 6,102,029.79
Provision for Income and other Taxes.....	2,213,990.50
Dividend Payable.....	140,434.84
Amount due re exchange of old Preference Shares.....	31,867.35
	\$ 8,488,322.48

OPERATING AND MISCELLANEOUS RESERVES

301,000.00

CAPITAL STOCK:

Preference—Cumulative Participating (Redeemable at \$35)—Div. \$2.10.

Authorized and issued 280,000 shares of \$25.00 ea. \$ 7,000,000.00

Less: Purchased, redeemed and cancelled:.....

10,008 shares of \$25.00 ea. 250,200.00

Outstanding:..... 269,992 shares of \$25.00 ea. \$ 6,749,800.00

Ordinary:

Authorized 645,800 shares of no par value

Issued 365,800 shares of no par value..... 9,145,000.00 15,894,800.00

NOTE: Of the above mentioned shares, 12,497 cumulative participating (redeemable) Preference and 63,290 Ordinary are held for exchange of 12,497 old 7% cumulative and participating Preference Shares and 63,290 shares of the old Ordinary stock, respectively, pursuant to arrangement dated December 1, 1942.

SURPLUS ACCOUNTS:

Capital Surplus—Properties

Per attached statement..... \$ 706,647.87

Capital Surplus—Preference Stock Redemption

Per attached statement..... 250,200.00

EARNED SURPLUS—Per attached statement..... 7,201,483.44

Refundable Portion of Excess Profits Taxes...

\$ 8,158,331.31

962,744.63

9,121,075.94

CONTINGENT LIABILITY—A suit has been entered against the Agency of Canadian Car and Foundry Company, Limited, by the Estate of W. W. Butler, a former President of that Company, for additional compensation in the amount of \$1,168,000.00. The Company does not admit liability in respect of such claim and on the advice of counsel it is being contested.

\$33,805,198.42

A. HODGKINSON,

Comptroller and Treasurer.

Submitted with our Report to Shareholders
of December 5th, 1945.

PRICE, WATERHOUSE & CO.,

Auditors.

AUDITORS' REPORT TO THE SHAREHOLDERS OF
CANADIAN CAR AND FOUNDRY COMPANY, LIMITED

We have made an examination of the books and accounts of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Company for the year ending September 30, 1945, and have obtained all the information and explanations which we have required.

We report that, in our opinion, the attached Consolidated Balance Sheet at September 30, 1945, when read with the notes appended thereto, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Company, after making provision of \$1,868,139.81 on account of depreciation for the year, according to the best of our information and the explanations given to us and as shown by the books of these companies.

In accordance with the provisions of Section 114 of the Companies Act 1934, we also report that the profits of a partly owned subsidiary company have not been included in the attached accounts, but have been carried forward on the books of the subsidiary company.

PRICE, WATERHOUSE & Co.,

Auditors.

MONTREAL, December 5, 1945.

NOTES TO FINANCIAL STATEMENTS

RENEGOTIATION OF GOVERNMENT CONTRACTS:

The profits of the Company for the years 1940 to 1945 resulting from war contracts may be adjusted as a result of renegotiation proceedings on an overall basis presently being carried on by the Department of Munitions and Supply. No specific reserve has been provided to take care of the net effect of such adjustment of profits as may result from these renegotiations. It should, however, be noted that the refundable portion of excess profits taxes, which may be affected by any reduction of profits, has not been included in the earned surplus and might be considered as being equivalent to a reserve for renegotiation.

BASIS FOR DOMINION INCOME AND EXCESS PROFITS TAX PROVISIONS:

The final liability for these taxes in respect of the years subsequent to 1942 has not yet been determined but it is believed that ample provision has been made therefor.

CAPITAL ASSETS:

The net value of buildings, machinery and equipment subject to future depreciation for income tax purposes, which was shown on previous balance sheets in approximate figures, has now been finally determined by the Income Tax Department to September 30, 1942, at \$6,782,254.49; to this figure should be added the net additions to asset and reserve accounts for the years ending September 30, 1943, to 1945, resulting in a net value of buildings, machinery and equipment subject to future depreciation for income tax purposes at September 30, 1945, of \$7,673,596.34.

THIRTY-SIXTH ANNUAL REPORT

Year Ending September 30, 1945



TO THE SHAREHOLDERS:

Your Directors submit herewith the thirty-sixth annual report of your company and its wholly-owned subsidiary company covering combined operations for the year ending September 30th, 1945.

The net profit for the year amounted to \$5,617,125.64 before provision for depreciation and Income and Excess Profits taxes, which is an increase of \$290,403.73 over the previous year.

The net working capital is \$7,651,620.15, an increase of \$950,667.16 from that of 1944.

During the year your Directors authorized capital expenditures amounting in the aggregate to \$2,350,000 for the modernization of your company's buildings, machinery and equipment, only \$925,000 of which was expended up to September 30th, 1945. This work will be completed in 1946.

Within the fiscal year 4,008 preference shares were purchased for redemption and were cancelled. This is in excess of sinking fund requirements.

The termination of all war contracts affected employment in the company's ten plants, but the company's plans to provide the maximum of peacetime employment are maturing. In this respect it is worthy of note that in pre-war days the company's personnel totaled approximately 3,900 and that at present the Company is employing 7,500, a level which we believe can be maintained.

The Car and Steel Foundry plants have been working to capacity. Orders for rolling stock of all descriptions, including export equipment, are expected to keep these plants fully occupied throughout 1946.

The Point St. Charles plant and the plant established by the company for the production of propellers in conjunction with the British Commonwealth Air Training Plan are enabled to undertake a great variety of work in addition to propeller output for peacetime requirements, due to the multi-purpose type of machinery and equipment of each plant which allows for a wide diversification of product manufacture.

Arrangements were finalized in an agreement with the ACF-Brill Motors Company of Philadelphia for the manufacture in Canada under licence of a type of city bus, an inter-city coach and a trackless trolley coach. Your Fort William plant has been recon-verted from the manufacture of aircraft to the exclusive production of this class of equipment, and delivery of the first inter-city coach was made in October. Orders on hand and in prospect should provide work for 800 employees. Indications are that this will be a profitable undertaking. Certain sections of your Fort William property not required in the bus operation are under lease to the Dominion Government through its War Assets Corporation, and the Canadian Vocational Training School of the Ontario Provincial

Government. The company actively assisted in the establishment of the Vocational School, and is co-operating with the Ontario Government for the furtherance of this worthy project.

The company during the year completed the prototype of a twin-engine cargo-passenger Burnelli type transport, model designation CBY-3, flight trials of which are in progress. Whenever the requisite Certificates have been obtained from the authorities a wide market is anticipated, both in the domestic and export fields. This aircraft combines many features in its construction, design and aerodynamic principle which are not to be found in competitive equipment of comparable size.

Agency of Canadian Car & Foundry Company, Limited, has not received any further payments on the sum of more than \$8,000,000 due under the Mixed Claims Commission award of 1939. The Agency is endeavouring to obtain further payments.

Your partly owned subsidiary company, Canadian General Transit Company, Limited, has had another successful year and its operations are eminently satisfactory in all respects.

It is desired to thank the officers and employees for the sterling manner in which they have contributed their share to the success of this organization during the past year. This adds another milestone to the unbroken record of loyalty and efficiency uniformly displayed by each and every one within the great Car Company family.

The demands have been as intense in this year of transition as they were during the years of world conflict, and surmounting once more the tribulations of such conditions officers and employees have responded generously to patriotic appeals. Their subscriptions to the Victory Loan drives, Red Cross campaigns, blood bank donations, and the support of various other charitable causes again reached extremely high objectives.

Mr. A. C. Bourne, who for twenty-five years functioned as Secretary of the company, retired in June of this year, completing a span of forty years devoted to the company's interests. Mr. Donald H. Forsyth was appointed to succeed him.

Your Directors extend a warm welcome to the many employees who are returning from service in the Armed Forces and their complete rehabilitation is our first and most serious consideration. Their victorious efforts during the war on our behalf are indelibly imprinted upon the minds and in the hearts of all. Our deepest sympathy goes to the families of those who paid the supreme sacrifice.

For the Directors,

V. M. DRURY,
President.

MONTREAL, December 14th, 1945.

